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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites, Issue #32

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**Report Highlights:**

- MEXICAN CUSTOMS ESTABLISHES GRACE PERIOD
- MEXICO ANNOUNCES THE TRQ FOR FEEDER CATTLE IMPORTS
- RICH COUNTRIES PREPARE FOR AI PANDEMIC, WHAT ABOUT POOR COUNTRIES?
- RITA THREATENS LIVESTOCK
- WPM REGULATION GOES IN EFFECT
- UNCERTAINTY IN MEXICO'S AGRICULTURAL BUDGET
- MEXICO ONE OF THE TOP 5 JUNK-FOOD CONSUMING COUNTRIES

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
[MX]

**WELCOME TO HOT BITES FROM MEXICO, A WEEKLY REVIEW OF ISSUES OF INTEREST TO THE U.S. AGRICULTURAL COMMUNITY. THE TOPICS COVERED IN THIS REPORT REFLECT DEVELOPMENTS IN MEXICO THAT HAVE BEEN GARNERED DURING TRAVEL AROUND THE COUNTRY, REPORTED IN THE MEDIA, OR OFFERED BY HOST COUNTRY OFFICIALS AND AGRICULTURAL ANALYSTS. READERS SHOULD UNDERSTAND THAT PRESS ARTICLES ARE INCLUDED IN THIS REPORT TO PROVIDE INSIGHTS INTO THE MEXICAN "MOOD" FACING U.S. AGRICULTURAL EXPORTERS. SIGNIFICANT ISSUES WILL BE EXPANDED UPON IN SUBSEQUENT REPORTS FROM THIS OFFICE.**

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### **MEXICAN CUSTOMS ESTABLISHES GRACE PERIOD**

On August 8, 2005, in response to a petition from the Office of Agricultural Affairs, the Secretariat of the Treasury (SHCP) published in the *Diario Oficial* (Federal Register) the First Resolution modifying Annex 21 of the 2005 Foreign Trade General Rules. The modification of this provision improves and clarifies the rights of recourse made available to exporters in the event that Mexican Customs officials find minor procedural errors, omissions, and/or missing documentation. Customs will continue to impose fines of up to 70 percent of the value of the shipment in the event that documentation errors are found. However, this modification provides exporters with a period of 15 days from the day following notification of the act of Administrative Proceedings in Customs Matters (PAMA) to correct any minor procedural errors, provided that the errors do not call into question the authenticity or validity of the documents, without having to pay the established fine. Previously, exporters had the opportunity to appeal the fines, but no grace period was provided to correct documentation errors. Exporters should comply with the deadlines established by Customs. Petitions for extensions or consideration of late submissions will likely be rejected in light of the new grace period. (Source: OAA Mexico City 09/23/05, see MX5075)

### **MEXICO ANNOUNCES THE TRQ FOR FEEDER CATTLE IMPORTS**

The Secretariat of Economy (SE) announced in the *"Diario Oficial"* (Federal Register) that it will establish a tariff-rate quota (TRQ) for feeder cattle under the HTS classification listed below. The announcement indicates that domestic cattle and meat production is insufficient to meet the needs of domestic consumers. This TRQ is in effect as of September 15, 2005. All countries with MFN status and without animal health impediments may supply feeder cattle under this TRQ at a tariff of zero. Under a separate announcement to be published at a later date, SE will establish the size of the TRQ.

**FAS Mexico Comment:** Concerns about the supply effects of large volumes of cattle exports in recent years, along with recently established more rigorous interstate movement requirements for Tuberculosis control, appear to have frustrated some cattle feeders in Mexico. This action appears to be an effort to diversify cattle supply sources. Mexico imported 28,444 head of feeder cattle from Nicaragua in 2004, and had imported 20,165 head from Nicaragua through May of 2005. Mexico has traditionally imported cattle from Central America. The MFN cattle import tariff is 18 percent, but some Central American countries have negotiated lower tariffs through trade agreements. At this stage, it is unclear how large the TRQ will be, but 50,000 head seems to be in line with industry thinking. The

animal health status of other countries will be a key factor in determining suppliers. Imports from the United States are already subject to a tariff of zero. (Source: OAA Mexico City, 09/23/05, see MX5082)

### **RICH COUNTRIES PREPARE FOR AI PANDEMIC, WHAT ABOUT POOR COUNTRIES?**

A confirmed new avian influenza (AI) human case in Indonesia stirred up the fear of a pandemic. Recently, the World Health Organization (WHO) has recommended all countries take appropriate measures against a massive propagation of the virus. Thus far, Swiss brand Roche anti-flu drug TAMIFLU sales have increased thanks to huge purchase orders from at least thirty developed countries. But a large disparity in control measures exists between poor and rich countries. The efficiency of the steps taken to prevent and control an AI human outbreak depends on the domestic health services quality and a well-projected vaccination production. While poultry production in developed countries is confined to controlled industrial models, in China, Indonesia or Vietnam the production patterns are characterized by a close human-animal contact increasing contamination risks. (Source: La Jornada; 09/23/2005)

**FAS Mexico comment:** Mexico's Secretariat of Health (SSA) along with other sanitary authorities, have implemented the "Preparedness and Response to a Influenza Pandemic National Plan." This plan establishes the implementation of effective measures to protect the population and avoid the capacity of response from being surpassed. In addition, the Secretariat of Agriculture has implemented import restrictions for poultry and poultry products from several U.S. states during 2003 and 2004 in an effort to protect the domestic flocks and indirectly Mexico's population. Currently, the presence of the avian influenza virus H5N2, considered a Low Pathogenic strain, has been found in Mexico.

### **RITA THREATENS LIVESTOCK**

The hurricane that threatens to pound the U.S. is also threatening Mexican livestock producers, affecting logistics and transportation infrastructure. Cattle and pork breeders have reported delays in grain shipments of up to 35 days. This has caused farmers to get their supplies from Mexican companies, with the disadvantage of having to pay higher prices. According to the Mexican Cattlemen's Beef Association (AMEG), Mexican grains are, on average, 10% more expensive than U.S. products. Because of the temporary closing of the Brownsville port since Tuesday September 20, companies have complained about the lack of available railroad services, and the fact that prices for that transportation have risen 30 percent. (Source: Reforma, 9/22/2005)

### **FIRST STAGE OF WPM REGULATION GOES IN EFFECT**

Last Friday, Mexican Official Norm 144-SEMARNAT-2004 (NOM-144), which specifies heat treatment compliance of Wood Packaging Material (WPM) came in effect, while the U.S. established the same deadline for its WPM import regulation. On the U.S. side, CBP Officers and Agriculture Specialists are responsible for carrying out WPM verification and inspections. If WPM are not marked as having been treated, the broker and the importer are being informed of the non-compliance and given further information in a "Notice of Violation". Statistics show that in the first days the regulation was in effect, over 70% of WPM at the Laredo III crossing point complied with the regulation, showing the International Plant Protection Convention (IPPC) seal as specified. The same percentage was observed in the Colombia-Solidarity Bridge crossing. In Mexico, the established process for WPM regulation enforcement is pending definition, and currently, Customs agents don't verify compliance with NOM-144. Inspection personnel weren't present in the inspection area and no information on compliance percentages was available, however, Nuevo Laredo's Customs Administrator explained that they have developed a local "set of rules" for the original

regulation conditions. Although no data was collected in the Mexican side, visual verification at the import patio showed that nearly 80% of WPM carried the IPPC logo. (Source: ATO MONTERREY, 9/20/2005)

#### UNCERTAINTY IN MEXICO'S AGRICULTURAL BUDGET

Mexican congressmen met Wednesday with Agriculture Secretary Javier Usabiaga to request an explanation of the figures used for next year's federal agricultural budget. Adrian Chavez, from the Democratic Revolution Party (PRD), demanded the creation of a Ministry of Fisheries, due to the reduction of seafood output. Usabiaga responded that this situation is not just a national problem, but a trend throughout the world. However, current seafood production in Mexico reached 209,000 tons this year, which adds up to a 22 percent increase in the five years of this administration. (Source: Reforma, 9/21/2005)

#### MEXICO ONE OF THE TOP 5 JUNK-FOOD CONSUMING COUNTRIES

According to the Mexican Ministry of Health, in the last decade, fruit & vegetable, meat and cereal consumption in Mexico has fallen by 30%; the same percentage showing up in the increase in the consumption of junk-food. Mexico's per capita consumption of soda is 1,121 lt. yearly, and the pastry market accounts for 30.415 billion pesos, out of which cookies represent 54%, according to AC Nielsen. In an attempt to improve the eating habits of the student population, the governments of Jalisco and Nuevo Leon have forbidden the installation of vending machines that sell snacks, sodas, cookies and pastries in public schools. A balanced menu of cereals, vegetables, meat and water is offered instead. (Source: El Financiero, 9/21/2005)

#### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

MX5083	Weekly Highlights and Hot Bites, Issue #31	9/19/05
MX5082	Mexico Announces the TRQ for Feeder Cattle Imports from Countries with Animal Health Agreements Celebrated with Mexico	9/19/05
MX5081	Mexico Establishes 2005 Additional Volume on Out-of-Quota Milk Powder Imports	9/12/05
MX5080	Weekly Highlights and Hot Bites, Issue #30	9/09/05
MX5079	Apple Annual	9/07/05
MX5078	Weekly Highlights and Hot Bites, Issue #29	9/02/05
MX5077	Livestock Annual	9/01/05
MX5076	Weekly Highlights and Hot Bites, Issue #28	8/29/05
MX5075	Mexican Customs Establishes Grace Period for Correcting Errors in Import and Export	8/29/05
MX5074	Mexico Announces Tariffs in Response to Bryd Amendment	8/22/05
MX5073	Implementation of Secretariat of Health Regulations Governing Certain Segments of the Meat Industry	8/19/05
MX5072	Weekly Highlights and Hot Bites, Issue #27	8/19/05
MX5071	Mexico Announces a Unilateral Soybean Meal TRQ	8/19/05

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